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Secretary - 222

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

AUG - 9 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

2 AUG 1993

IN REPLY REFER TO:

9302841-MEA

Honorable Jesse Helms
United States Senate
402 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Helms:

Thank you for your letter on behalf of Joe Pritchard of Charlotte, North Carolina. Your constituent complains about increased cable rates, additional charges for extra set hookups, billing errors and unclear bills. He believes that more cable competition will improve the situation.

Cable operators are required to comply with certain signal leakage standards. The obligations we impose upon cable operators in regard to monitoring and limiting radiofrequency interference and unacceptable leakage in their systems, as well as the cable operator's legitimate concern with theft of service, can sometimes result in the cable operator choosing to exert maximum control over all wiring and equipment in its system. Thus, the Commission administers no regulations that would prevent a cable operator from controlling its cable wiring as far as practicable. Our cable rate regulations which will take effect on September 1, 1993, however, establish standards for setting the rates for installation and monthly charges in such cases (see enclosure). Your constituent's comments will be made a part of the record of our current reconsideration of those regulations (MM Docket No. 92-266).

The Commission's federal customer service standards for cable television operators, which went into effect on July 1, 1993, are to be enforced at the local level. Accordingly, your constituent may want to contact his local franchising authorities and consumer protection agencies about his billing complaints.

Under the provisions of the Cable Television Consumer Protection and Competition Act of 1992, a franchising authority may not grant an exclusive franchise and may not unreasonably refuse to award an additional competitive franchise. I have enclosed the relevant section of the 1992 Cable Act for your constituent's reference.

Sincerely,

Roy J. Stewart

Roy J. Stewart
Chief, Mass Media Bureau

Enclosures

No. of Copies rec'd
List A B C D E

1 copy

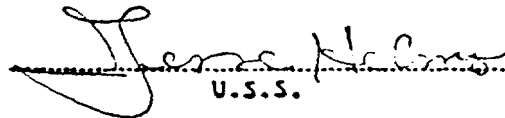
United States Senate

July 1, 1993

Respectfully referred to:

Linda Townsend Solheim
Director, Legislative Affairs
Federal Communications Commission
Room 808
1919 M Street N.W.
Washington, D.C. 20555

Because of the desire of this office to be responsive to all inquiries and communications, your consideration of the attached is requested. Your findings and views, in duplicate form, along with return of the enclosure, will be appreciated by


U.S.S.

Form #2

U.S. SENATE
WASHINGTON, D.C. 20540
TELEPHONE 224-6345

6-25-93

Representative

Edward - Markey
2133 - Rayburn House Bldg
Washington D.C. - 20515
ATT - Don. Rabenowitz

Subject - Cablevision

Ref. my phone call of 6-18-93
re: reports from

Dear Mr. Markey

The enclosed sheet - dated 6-1-92
is graphic evidence of how Cablevision -
(time Warner) rips off the consumer.

Cablevision's P.R. at the time
of this rate increase - was - is it not wonderful
how they held cost down - so we only
have to go up - 10.5%.

They purposely - failed to state
in their P.R. that each outlet you
had. then add - for additional T.V. sets
were going to increase from \$2.60 per set - OUTLET
per month to \$3.70 per set outlet per
month - that = 43% increase -

Now we are advised - its 3.89 per set
outlet - per month. as of Feb 93.

As enclosed data sheet shows - at
 $3.70 \text{ per month} \times 12 = 44.40 \text{ per year - per}$
 additional outlet.

In our case we have 2. additional
 outlets - running off (By a splitter)
 from main piece of cable. That
 enters our home -

The enclosed price of cable + the
 coupling + splitter (not enclosed)
 is all there is to this.

At the time of installation of these
 additional outlets - the customer is
 charged for same, so you have paid
 for it.

There is no maintenance to it. no
 parts to go wrong, just this little
 price of cable + coupling - yet Cablevision
 charges 3.70 per month.

Cablevision - should be made to
 refund all this money - except
 original installation charge and
 ordered to cease & desist from
 charging any monthly rate for
 additional outlets.

The consumer - has paid in his
 basic rate of \$22.25 per month for cable
 signal into his house - so there is
 no additional cost

To Collevison.

Collevison. Claims for \$22.25 ~~for~~
you receive Basic Service - 12 Channels. \$9.95
plus standard Tier of 27 more
Channels ~~for~~ for \$12.30 ~~this~~ = 22.25

Yet we only receive Channels 2 thru 36
which = 35 Channels out of these
Channels 3-9-19-20 are nothing more than
P.R. Channels - Advertising + Shopping
Channels - into most rather much as
needed Channels 7-14-17 are more
Channels and are blocked out - as they
cost extra -

So we really get only 24 -
useable - Channels - + 2 of these
have same program on at same
time -

Again we see Collevison's cut
right up off - as the 39 Channels
you are billed for really = 28

Copy to
Senator Jesse Helms

Senator Gough - Faircloth see Critchfield

Rep Alex McMillan

Respectfully

H/11 - Columbine Cir
Charlotte - N.C. 28211

6-15-93

Mr. Jeff. King
Gen. Manager
P.O. Box 34614
Charlotte - N.C. 28234

Subject - Acct 53-01-0425711-9

Ref - Confused Billing

Dear Mr. King

Enclosed for CK# 1840 - in Amt
of \$31.13 which is Total of Monthly
Service for 6-1-93 thru 6-30-93
Yours. Dis connect notice of 6/10/93
arrived while we were away on vacation
It Demand - 48.09 - which is
in error

Please note - in disgust over
the former. Post Card type monthly
bills, sent out, with little or
No information - ~~except~~ except - fee
on them -

We asked & stated paying -
6 months in advance -
and Coblesvision could not get
that right

2.

Cablevision had our money in advance
6 months - yet I don't recall any
time Credit was issued - due to
Cable being out - due to storms etc

We are being charged for 39-
Channels - yet we only get - 2. thru
36 = 35 - Channels out of the 35

Channels - Channels - 3 - 9 - 19 - 20 - ~~21~~ -
are nothing more than P.R. or shopping
Channels - which I don't want or need
Channels - 7 - 14 - 17 - are movie
Channels - which are blocked out -

I don't know what Chan. 33 is -
so in effect we are paying
by your bill - for 39 - Channels
when we only have ~~25~~ 29 usable
Channels

Channel - 33 - is public access - Channel
so we do receive it

Cablevision - arbitrarily
started billing us monthly again - in
advance.

This does not work out - as we
are paying a good bit - just as we
were when your disconnected
notice came.

What is needed is fair an
open Competition, when we get
it Cablevision rates will decline
& Service & Channels - will improve

This \$2.75 special handling fee
on this matter, is with out merit -

The \$3.70 per outlet is outrageous -
its nothing more than short length of
Cord - Size of ext. Court - with Connectors on
it -

After you charge for additional
installation, what is there to charge
for at \$3.70 per outlet per month -

There is no maintenance on it
Its just another Cablevision
Reg. off - just like your Special
Handling \$2.75 fee.

Whats special about it.

Remove - These extra charges
from my bill & explain -
why it should cost me .3.70
per outlet - per month -

What cost does Cablevision
have in these outlets after they
are put in - advise - in writing -
Alone

Copies to
Senator Jesse Helms

J. P. Butcher

6-25-93

Subject - Fax Memo of 5-15-92
City of Charlotte Cable
Televisions Division

Re - Denis Boris - Director
of Subject

Please note Mrs. Boris
Function is to receive complaints
& get them on to Cablevision -
"That's it"

She has no authority to do
enforce anything -

So what's she needed for -
A machine that receives the
complaint & copy & fax it.

This is a typical Government
P.R. play - so cable T.V. customers
will think something is really
being done -

When in fact - its just money
spent to increase their City taxes.
As Mrs. Boris has to be paid &
her office overhead & expenses paid

ITZEN COPY

CITY OF CHARLOTTE
CABLE TELEVISION DIVISION

COMPLAINT INFORMATION

FAX MEMO
PAGES 1 DATE 5/15 FAX # 336-4550
TO: FROM VALERIE HODGSON
FROM: CONSUMER - CABLE TV
CO: CITY OF CHARLOTTE
PH: 336-3069 FAX: 336-3449

BER: 92-194
ANY: CABLEVISION

RECEIVED: 05/15/92

NAME: PRITCHARD FIRST: R.
ET: 4111 COLUMBINE CIRCLE
: CHARLOTTE STATE: NC ZIP:
PHONE: 364-7756 WORKPHONE:

: 4.2 RATE QUESTIONS

LAINT DESCRIPTION:

TRYING TO REACH MS. STOUT - NEVER CAN GET HER
- RECEIVED A DELINQUENT NOTICE FOR OVER \$66.00
- DOES NOT UNDERSTAND HOW HE CAN OWE SO MUCH
- ALSO, NEWSPAPER DIDN'T GIVE WHOLE STORY ON LAST
RATE HIKE. CV'S RATES FOR OTHER THINGS
(SUCH AS ADDITIONAL OUTLETS) INCREASED BY
CONSIDERABLY MORE THAN 10%
- SERVICE IS TERRIBLE, 4-5 CHANNELS SHOW SAME
THING
- THINKS CITY COUNCIL SHOULD GO OUT FOR ANOTHER
CABLE COMPANY TO COMPETE - ON THE STREETS - WITH
CV - ONLY WAY TO
CONTROL THEIR RATES.

URAL:

6-1-42

Cablevision Basic Service

prior to recent rate increase. \$20.20 per month

With new rate increase of 10.5% \$20.20
+ \$ 2.05
1-set 1-outlet \$22.25

Cost of second or more	New rate.	\$3.70	
	Old rate.	\$2.60	
TV outlets per set .		\$1.10	a 43% increase.

The cost for cable at Radio shack \$00.20 per foot
for house hook up.

The coupling cost. \$00.50 each

The splitter cost. \$ 3.95 each

Total cost for hook up. \$ 4.65

Cable vision would pay half this price as they buy in bulk. So the consumer in the city of Charlotte per extra outlet pays each month
 $\$3.70 \times 12 = \44.40 per year.

The cost of material at Radio Shack plus 10 feet of cable at \$00.20 per foot.

materials \$4.65

10 feet of cable \$2.65

total \$6.65

There is not any maintenance plus you paid for installation when the work was done. There is no way to justify this \$3.70 per month charge on and on. This is a consumer RIF OFF.

6.25.93

Subject - 11.5. Million for FCC
To enforce Cable rate
regulations

Ref - Charlotte Obs Article of 6-17-93
+ 6-18-93

Mr. Quello - Cannot see
to it, that the new Cable rate
regulation, is put into operation, with
in the present bureaucracy of the
FCC, then I suggest he step
aside and we get some one
who can.

The real answer is open
+ fair competition.
Not more Fed Gov.
Bureaucracy

Delay in enforcing cable rates law to cost consumers, lawmaker says

By DIANE DUSTON
Associated Press

WASHINGTON — Consumers are losing more than \$250 million because federal regulators delayed enforcement of a law covering TV cable rates, a consumer advocate and the lawmaker who pushed the legislation through Congress said Wednesday.

No one was expected to get rebates or rate reductions quickly.

But, under the Federal Communications Commission's original plan, consumers and franchising authorities would have been able to start filing complaints Monday accusing their local cable companies of overcharging.

If the rates truly exceeded the amount allowed under the FCC's new formula, the cable operator would have to roll back prices and pay rebates retroactive to June 21.

But last week, the FCC decided to delay all enforcement, including the retroactive date, to Oct. 1.

FCC Chairman James Quello said the FCC and the cable companies needed more time to prepare for all

the paperwork enforcement would require. He also wants more money from Congress for additional attorneys and accountants to do the work.

"Going forward at this time would have resulted in mountains of complaints and certification requests piling up at the commission, leading to chaos and confusion among subscribers, cable operators and franchising authorities, and resulting in numerous legal challenges," said Quello.

Rep. Edward Markey, D-Mass., chairman of the House Energy and Commerce telecommunications subcommittee, opposes the delay and has called Quello and the other two FCC commissioners before his panel today to explain their problems.

"Cable consumers were lured into believing that relief was on its way to the tune of \$1 billion in annual savings," said Markey. The FCC had estimated that from two-thirds to three-quarters of the nation's cable companies were overcharging by \$1 billion.

Delaying the enforcement date means consumers will be stuck with those overcharges for another three months, amounting to \$250 million, said Markey.

6-17-83
C-17-085-1

Friday

June 18, 1993

**BUSINESS
BRIEFLY**

FCC: We'll push cable rates' regulation if we get \$11.5 million

WASHINGTON — Cable TV rate regulation will be put "on a fast track" if Congress comes through with \$11.5 million to cover administrative costs, the chairman of the Federal Communications Commission said Thursday.

"Let us get the funds and see what we can do," FCC Chairman James Quello told the House Energy and Commerce telecommunications subcommittee.

Quello said last week that without money to hire more staff, the FCC couldn't possibly start handling rate changes for 10,000 cable systems before Oct. 1.

Congress balked at the suggestion that consumers would have to wait beyond the June 21 date originally set by the FCC for startup of the rate reduction process.

The \$11.5 million for the FCC, which had been dropped from supplemental spending legislation, was quickly repropounded.

Even as Quello was explaining the problem to the House panel, the Senate was debating on the spending request with approval expected within days.

Rep. Edward Markey, D-Mass., telecommunications chairman, assured Quello the House would also favor the measure and urged him to make rate reductions retroactive to June 21 or as soon after as possible.

6-25-93

Subject - Readers Digest Article
of OCT 89 + June - 92

Ref - Free enterprise. Competition -
and enforcement of the Anti-
Monopoly Fed. laws

Unlike - Our City Government.
who receive a 5% Franchise fee
on total Amount of every Bill. + Our
County Government (don't know what
they receive)

The governments of these towns
+ Cities - mentioned in Subject
articles - went out. sought + found
Competition for their Citizens +
look what happens - Less cost
more service + better programs.
Competition is the
best regulator.

Cable TV's Costly Monopoly Game

How local politicians and cable companies make the customer pay through the nose

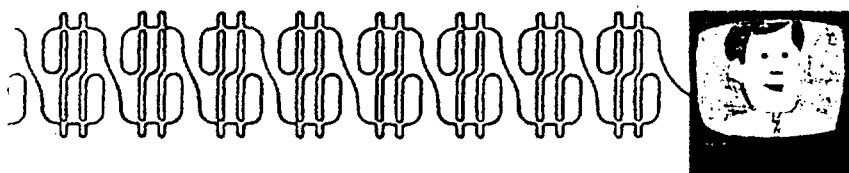
Condensed from THE WASHINGTON MONTHLY
JOHN A. BARNES

SACRAMENTO, CALIF., in 1983 became one of the last major metropolitan areas to decide to wire for cable television. Its leaders, like those in more than 5000 other cities and counties across America, assumed that cable was a "natural monopoly," similar to a public utility, and they requested bids for a cable-television "franchise." The lucky winner would provide cable service within the city and county of Sacramento in exchange for paying a "franchise fee" (five percent of revenues). Such franchise rights, in turn, would leave the company in control of a market that would generate revenues of about \$60 million a year.

That, at least, was the plan until a revolutionary idea in cable

economics—competition—rudely forced its way onto the Sacramento stage. This intrusion has left the nation's cable monopolists ill at ease and lent a bit of hope to the nation's cable consumers, who have been courted, then fleeced, from coast to coast.

Why have the normal laws of supply and demand so rarely been applied to cable television? Politicians argued that the high, up-front costs of installing cable in a community made flat-out competition uneconomical. But cynics suspected all along that the politicians concocted the natural-monopoly system for their own benefit. They could shake down potential cable operators for hefty campaign contributions. Stretched city budgets



THE WASHINGTON MONTHLY (JUNE '89), © 1989 BY THE WASHINGTON MONTHLY CO.,
1611 CONNECTICUT AVE., N.W., WASHINGTON, D.C. 20009. ILLUSTRATION: JOSHUA SCHREIER

could be replenished with franchise fees. Community groups could demand that franchises build elaborate "public access" studios for local programming, often starring—surprise!—the groups and the politicians themselves.

Once city governments had set up monopolies in what is now a \$14.5-billion industry, they were powerless to control the resulting prices. A 1984 federal law stripped cities of that right. This left consumers with the worst of both worlds—high prices and no alternatives. For the cable companies it became a situation of gouge-as-gouge-can. Nationally, the price for basic cable service rose 29 percent from 1986 to 1988. If a cable monopoly wasn't exactly a license to print money, it was the next best thing.

In Sacramento, one of the bidders for the franchise was River City Cable Company, formed by a group of 73 investors. None had experience running a cable-television company, and their working capital wasn't much for starting one. But they had something more important: clout. "The Gang of 73," as the press dubbed them, was a Who's Who of Sacramento's politically powerful and well-connected, including a sitting federal judge. Each investor stood to realize a hefty profit by the mid-1990s.

To run the system, River City Cable eventually teamed up with Scripps Howard Broadcasting to

form Sacramento Cable Television. The combination of clout and capability worked. In 1983 the company was selected over three other bidders by the Sacramento Metropolitan Cable Television Commission. All seemed smooth sailing.

However, Rod Hansen, president of Pacific West Cable, wasn't satisfied. He had applied to operate a competitive cable system in the city. "The cable commission told me I would have to put up a \$40,000, nonrefundable deposit," says Hansen. "Even if I did that, they told me, my chances were still nonexistent."

Hansen filed suit, charging that the city and county of Sacramento had violated his First Amendment rights of free speech by awarding what amounted to a monopoly to one company.

It took four years for the case to come to trial in U.S. district court. But in June 1987, when the jury ruled, the whole cable-television industry sat up and took notice. The judge asked the jury for certain findings of fact.

Question: "Was 'natural monopoly' a sham used by defendants [the city and county] to obtain increased campaign contributions for local elected officials?"

The jury's answer: "Yes."

Question: "Were defendants motivated to provide such benefits [public-access channels and other community grants] by either a desire to obtain increased political influence for elected or appointed local officials, or a desire to favor

local officials' political supporters?"

Answer: "Yes."

In the wake of this unexpected defeat, the cable commission immediately enacted a new ordinance to allow open competition. Subsequently two other companies entered the fray—Hansen's Pacific West and Cable AmeriCal, which Sacramento Cable eventually bought out for \$11 million.

Competition brought cheaper prices to consumers. A few months after raising its rates to \$16.50 for basic service, Sacramento Cable turned around and waived installation fees, offered several months of free viewing and matched Pacific West's monthly price of \$13.50—but only where Pacific West had begun stringing cable. None of this solicitous behavior was on display in neighborhoods that Sacramento Cable monopolized.

Not surprisingly, with the success of Hansen's lawsuit, other cable operators made a beeline for the state capitol. They got both chambers of the legislature to pass a bill giving local officials the authority to bar competitors on the ground of—what else?—the public interest. Gov. George Deukmejian vetoed the legislation.

The same kind of lobbying to bolster this natural monopoly with unnatural help has occurred across the country. The city of New York spent years trying (unsuccessfully, as it turned out) to prevent an independent satellite cable provider from operating in Co-op

City, the world's largest cooperative-apartment complex. Dallas tried unsuccessfully to prevent a satellite provider from competing with its local franchised cable firm.

The few communities that have allowed competition show how well it works. From 1971 to 1984, the residents of Bryan and College Station, Texas, enjoyed direct competition, and cable rates dropped to among the lowest in the state. (In 1984, however, one company bought out the others, ending the competition.)

Probably the best-known success story is Allentown, Pa., which has about 40,000 subscribers. Two companies, Service Electric and Twin County Cable, have provided state-of-the-art service to residents since the early 1960s. Joe Rosenfeld, Allentown's cable administrator, says the two companies are keen competitors. Complaints are few, basic rates are low (under \$13 a month), and if people are dissatisfied, they usually just switch companies.

Even if competition doesn't actually take place, the mere prospect of it can have remarkable effects. The residents of Presque Isle, Maine, complained about their small (12-channel) cable service for a long time. The city government finally announced plans to bring in a competitor. The franchise holder almost immediately upgraded to a 31-channel system.

Currently, more than a dozen bills to regulate the cable industry

Behind the Cable TV Rip-Off

It's time to pull the plug
on price-gouging monopolies and get a little healthy
competition into the picture

By DANIEL R. LEVINE

MELISSA GAZAWAY has had it with her cable-television company, and there's nothing she can do about it. When the Orlando, Fla., woman moved less than two miles to a new neighborhood, she was shocked to find her monthly cable bill had gone up almost 50 percent. For 36 basic cable channels and one movie channel, she pays \$35.86 a month. She had been paying \$24.32 for the same channels with the same company. Why the difference? Her new neighborhood is served by just one company. Her prior home was in an area where it competed for customers with another company.

Like millions of Americans, Melissa is a captive of monopoly cable. "Because there's no competition here, they can get away with charging whatever they want," she says. "It's ridiculous and unfair. Everyone should be able to get the same low rates."

When Sam and Jerry

Birch lived in an Orlando-area subdivision where there was no competition, their monthly bill was \$28.44 for 35 channels. Two years after they moved to an area where three companies compete, their

AVERAGE ANNUAL CABLE COSTS

WITHOUT
COMPETITION
\$207.72

WITH
COMPETITION
\$169.56

monthly bill had dropped by more than \$10. "I thought it was a mistake," says San.

Unfortunately, most Americans can relate more easily to Melissa Gazaway than to the Birches. The nation has 11,191 cable systems, but they compete head-on in only about 65 communities. Where competition does exist, bills are 22- to 30-percent lower, channel choices are greater, and service is far more responsive.

Cable is big business, with more than 51 million subscribers and annual revenues of \$20 billion—almost two times that of ABC, CBS and NBC combined. Why then is there so little competition for cable dollars?

"Local governments—with the encouragement of cable operators—have thrown up nearly insurmountable barriers to the entry of more than one firm into each market," says John Merline, Washington correspondent for *Investor's Business Daily* who has written extensively on the cable industry.

Not only are the vast majority of America's cable customers at the mercy of government-imposed monopolies, but the awarding of franchises is open to political favoritism and corruption. Just ask Carl and Clinton Galloway, black entrepreneurs who in 1979 sought to bring cable TV to crime-ridden south-central Los Angeles.

Carl, a physician, and Clinton, an accountant, wanted their Universal Cable Company to include shows on health care and child-

raising. "I see my race dying in south-central L.A., and it scares me," says Clinton. "We have the opportunity to dramatically change the way people are educated about these issues."

When the Galloways asked the Los Angeles city council for a license, they were told to direct their application to Channing Johnson, an aide to Councilman Robert Farrell. In early 1980, while still awaiting a response, they learned that Johnson had formed his own cable company, Community Telecommunications, Inc. (CTI).

The Galloways demanded an explanation. Several months later, in discussions with Mayor Tom Bradley's office, pressure was put on the Galloways to combine with Johnson's group, which had the mayor's support. It was intimated this was the only way they could share in the cable largess. But the Galloways refused to enter into a sweetheart deal.

Finally, in 1983, Los Angeles awarded the franchise to a company 80-percent owned by the Kaufman & Broad Home Corp., whose chairman, Eli Broad, was a major Bradley fund-raiser. The remaining 20 percent of shares were given to Johnson's CTI, which included two people who were "politically well-connected."

The Galloways sued through their newly formed company, Preferred Communications, Inc., and in January 1990 U.S. District Judge Consuelo Marshall ruled that the city's franchising process was un-

READER'S DIGEST

are pending before Congress. Instead of allowing cities and counties to regulate cable rates, our legislators should simply forbid franchising. A cable operator should be treated under the law in exactly the same way as any developer who wants to build a house or an office building. He applies for a right of way to use the necessary public

property and posts a bond to cover any damages incurred while ripping up streets or stringing wire along telephone poles.

Decades of "cable monopoly" have put franchise holders on Park Place, sent local officials directly to jail and loaded the dice against hapless consumers. It's time for a new game: free enterprise.



The Way We Are

REFLECTING on the tenth anniversary of his association with *The Small Voice*, a North Dakota newsletter, editor Jerome D. Lamb offered some comments on the human condition:

It's cause for elation to see one's own words in print, to float them out there for all the world to read, and to learn that some of the world actually does read them. Of their own free will! It warms the heart—cockles and muscles and all.

On the other hand, I have learned that in spite of my frequent and sound advice, the world has not become a noticeably more peaceable kingdom. Folly abounds, incompetence waxeth, integrity waneth, nonsense prevails, thieves multiply, power corrupts. And my bones creak in the morning.

Still, spectacular things go on in the sky; forms and colors and movements, cloud shapes and sunscapes so awesome I ought to end every day standing on a rooftop clapping and calling for more. And while I'm at it, I'll applaud the landforms too; the subtle way the gray groves roll into the brown, then black fields; the rise of stark butte from dusty slope, and the long river twisting down the valley.

Slowly I learn bits of what there is to see, and then forget and learn again.

And learn too that mortality is the stuff of life; learn how soon the young get old, how short a while forever is. It's sad to stand on the hill and, one by one, see the lights go out around you; sad to know the paper has begun to yellow before the pencil gets to the bottom of the page, to realize there won't be time enough to get it all done—the chores, the kid raising, the sitting on the porch to watch the swallows dart at dusk, the major work. But there's something reassuring too in understanding that it—death—is nature's, life's, God's way of letting us know that we were never meant to save the world singlehandedly, to keep the sun aloft and the old globe spinning.

What we're meant to do, I hope, is fill some small and temporary slot, to give off a little light for a little while and then lie down. I'm comfortable with that, with the notion of being a small voice yapping away at the edge of a large prairie in the northern half of a small planet. One of many voices, neither the wisest nor the best, but mine, and fairly close to as good as I can make it.

constitutional. But Los Angeles has still not approved the Galloways' application, which again must go through the entire convoluted and costly licensing procedure.

Those opposed to competition argue that cable TV is a "natural monopoly"—that high construction costs make competition unviable. Politicians defend this argument to protect the largess that flows from licensing—campaign contributions for themselves and "franchise fees" (usually five percent of a cable company's annual revenues) for their local treasuries.

The situation is radically different, however, in areas served by more than one company. Here are two prime examples of competition at work:

Allentown, Pa. Service Electric Cable and rival Twin County Cable have co-existed since 1963 in this Lehigh Valley city where municipal regulation is minimal and competition is encouraged. As a result, Allentown's 40,000 cable subscribers receive excellent service and pay reasonable rates. Twin County offers 56 channels for \$18.50 a month, while Service Electric charges \$19 for 60 channels.

At Service Electric, any call to a service representative is answered within three rings. "We can't keep the customer waiting or he may switch companies," explains general manager John J. Capparell.

Competition is equally fierce at Twin County, where the office is staffed and service technicians are on

the road until 11 p.m. "Competition keeps rates down and cable companies on their toes," says Twin County vice president Bill Stone, a 43-year veteran of the business.

Montgomery, Ala. Between December 1986 and January 1989, Montgomery's longtime monopoly operator, Storer Cable Communications, raised rates three times. Then William P. Blount, president of a prominent investment banking firm, formed Montgomery Cable-Vision and Entertainment, Inc., which began competing against Storer in August 1990.

Montgomery offered 60 channels for \$16.95 plus free installation and remote control. In less than two weeks, Storer announced it was upgrading to 61 channels and lowering its basic price to \$16.95. It even created an economy package of 12 channels for \$11.95.

In 1984 Congress passed a law prohibiting cities from regulating cable rates. The results were predictable. The average price for basic cable soared 61 percent after the law went into effect in 1986.

Today, with Americans increasingly angry over monopoly cable service, legislation is moving through Congress that would allow local governments to limit increases in cable rates. But rate regulation cannot eradicate the corrupt franchising process, increase efficiency or make cable companies responsive to their customers.

"Regulation of the cable industry

is a chimera," says economist Thomas W. Hazlett of the University of California at Davis. "There can be no effective regulation of the cable industry beyond active rivalry with other cable companies."

Some lessons for the rest of the nation can be learned from steps taken by Montgomery, Ala. There the city council enacted two ordinances to encourage competition.

The first measure, which Storer is challenging in the courts, prohibits discriminatory price-cutting. If Storer Cable wishes to cut rates, it must do so throughout the area, not just where rival Montgomery Cable has

service or is about to install it.

The second ordinance, also being challenged by Storer, calls for equal access to programming for all cable operators in a given market. If the statute is upheld, programmers will be unable, for instance, to deny Montgomery Cable the right to bid for features such as ESPN's "Sunday Night NFL" or TNT, the Ted Turner channel, which features movies and sporting events.

The FCC has also signaled that increased competition is needed in the marketplace by proposing that telephone companies be permitted to go head-to-head with existing

cable companies. Last October, the FCC proposed the adoption of video dial tone, which would enable consumers to receive programming through their telephone companies. It would combine traditional telephone service with video programming and other information services all in a single fiber-optic telephone wire. If the video-dial-tone proposal is adopted, telephone customers

could have access to the same programs offered by cable op-

In 4½ years,
the basic price
for cable
service
soared
61 percent



erators and
broadcast
stations.

Ultimately, however, unrestrained competition is the answer to our cable-TV woes. Waldport, Ore. (pop. 1595), where residents are the beneficiaries of a David versus Goliath rivalry, could serve as a model for cable TV nationwide. Waldport has one traffic light—and two cable companies. Customers can choose between Tele-Communications, Inc. (TCI), the world's largest operator, and Alsea River Cable TV, perhaps the world's smallest.

Alsea River has three employees working out of a three-room house on Waldport's main street. President Dale Haslett takes care of the elec-

trical work and maintenance. Leta, his wife, handles billing and other paper work. Their son Alan hooks up new subscribers and handles trouble calls.

In 1964, Dale was asked to take over a makeshift cable system serving just seven people nearby. He restored third- and fourth-hand equipment to improve the system, and soon word spread of the clear pictures being received from Portland, Corvallis and Salem.

Waldport residents begged Haslett to provide them with a choice. In 1975, after learning that the phone company planned a new underground line to the edge of town, Haslett persuaded the contractor to let him lay his own TV cable alongside the telephone cable.

Liberty Communications Co. was serving the area at the time, and when a clamor arose to grant Haslett a franchise, the city council, under Liberty's influence, voted him down 5-1. Infuriated, Wald-

port residents petitioned to place the issue on the ballot in a special election. The vote was 266-26 in favor of granting Alsea River Cable a franchise. During more than ten years of competition, Waldport cable customers have been receiving fast, responsive service and a wide range of channels from both systems, while paying some of the lowest rates in the country.

Haslett says that soon after cable giant TCI took over Liberty in 1983, he was told by TCI to either sell out or be put out of business later. TCI denies this. Haslett ignored the proposal, and in 1990 he turned down a \$1.35-million offer from TCI. His satisfied customers are glad he did.

Cable subscribers tired of rising prices and indifferent service should write their representatives in Washington. The answer is not to regulate cable prices—it is to remove all barriers that prevent cable competition.

Reprints of this article are available. See page 234.

On the House

AT A NEIGHBORHOOD COCKTAIL PARTY, a new Coronado, Calif., resident who'd just paid \$300,000 for a tiny house on a little lot on an alley was seeking reassurance. "Do you think I paid too much?" she asked her host.

"Nah, you can't lose in Coronado," the neighbor replied.

"But \$300,000, and it's so small," she persisted.

"If you don't trust me, ask this guy," the neighbor said. "He's one of our top brokers."

"I just bought a house near here, and I'm worried," she blurted out to the real-estate salesman.

"You can't lose in Coronado," he interrupted. "Look, some idiot just paid \$300,000 for a tiny house on a little lot fronting on an alley."

—Tom Blair in San Diego Union